THE 2011 BIG FOUR FIRMS PERFORMANCE ANALYSIS

An Analysis Of The 2011 Financial Performance Of The World's Largest Accounting Firms

By Big4.com

January 2012

THE 2011 BIG FOUR FIRMS PERFORFMANCE ANALYSIS

EXECUTIVE SUMMARY

Deloitte, Ernst & Young, KPMG and PwC: 2011 Revenues Increase to Historic Levels

2009 and 2010 were tough years for the Big Four accounting firms: Deloitte & Touche, Ernst & Young (E&Y), KPMG and PricewaterhouseCoopers (PwC), with performance largely affected by the global economic crisis. 2009 combined revenue fell by 7% from 2008, but stabilized in 2010 as revenue increased 1.4% to $95 billion from $94 billion in 2009.

Results for the current year, 2011, have been extraordinarily buoyant, with all service lines and geographies recording terrific growth from 2010, lifted by emerging countries, improvements in equity markets, and return to global economic growth and executive optimism. Combined 2011 revenue for the four firms rose to historic high levels of $103 billion, up 9% from 2010, and surpassing the previous record of $101 billion set in 2008.

Ernst & Young revenues grew the slowest at 7.6%, Deloitte at 8.4%, PwC increased 10.0% and KPMG grew the fastest at 10.1%. PwC grew faster than Deloitte and posted 2011 revenues of $29.2 million, $400 million more than Deloitte, thus reestablishing its leadership position as the largest accounting firm on the planet.

In terms of geography, Americas have 40% and falling share of global combined revenues. From 2010 to 2011 however, Americas had a strong performance growth of 9.9%. Europe has 44% of combined firm revenues and increased 5.4% from 2010 to 2011, growing the slowest due to regional uncertainty. Asian revenues have more than doubled from $7 billion in 2004 to $17 billion in 2011, and grew a spectacular 17.4% from 2010 to 2011.

By service line, Audit accounts for almost 47% of total revenues and revenues rebounded 5% from 2010 to 2011. Tax services also rose 7% from 2010 to 2011. Advisory services has been the fastest growing service line for several years increasing share from 22% of total revenues in 2004 to 31% in 2011. Advisory revenues grew a strong 16% from 2010 to 2011.

The Big Four firms cumulatively employ more than 650,000 staff globally, with a total of 35,000 partners overseeing a steep pyramid of about 490,000 professionals. Net employment increased by 36,000 from 2010 to 2011.

With the subsiding of the world's worst financial crisis for over 70 years, and after stabilizing in 2010, the Big Four firms had outstanding performance in 2011, with revenues rising strongly across all geographies, service lines and industries.

The outlook for 2012 and beyond is quite optimistic, revenue is expected to grow at a good pace, with help from strong emerging markets, Advisory services, conversions to IFRS and favorable economic conditions. 2012 will also prove whether PwC can be the leader and whether KPMG can overtake E&Y.

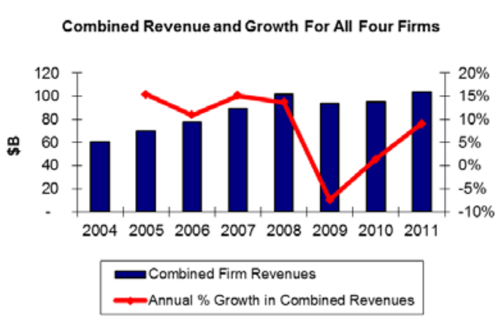
A detailed analysis can be downloaded at http://www.Big4.com/analysis.

REVENUE PERFORMANCE

Blockbuster All-Round Growth From 2010 To 2011 Leads To Record Revenues

Both 2009 and 2010 were tough years overall for the Big Four accounting firms: Deloitte & Touche, Ernst & Young (E&Y), KPMG and PricewaterhouseCoopers (PwC), as the extended global economic crisis impacted their financial performance with difficult external conditions, slow economic growth, cost-conscious clients and sluggish merger and acquisition activity. While 2001 to 2008 were an extraordinary period of continuous revenue growth at a double-digit percentage rate, combined revenue for the four firms in fiscal 2009 fell by 7% from fiscal 2008 in US dollar terms.

2010 turned out to be a much better year for all the Big Four accounting firms as financial performance was positively buoyed by an improving global economic scenario, high growth in emerging markets and improving client confidence. For fiscal 2010, the combined revenue for the four firms increased 1.4% from $94 billion in fiscal 2009 in US dollar terms to $95 billion. 2010 marked a year of moderate recovery and somewhat of a watershed turning point. The firms generally welcomed these small positive percentage changes in growth as early evidence of a sustained recovery.



Results for the current year, 2011, have turned to be extraordinarily buoyant, with all service lines and geographies recording terrific growth from 2010, lifted by emerging markets, improvements in equity markets, and a general return to global economic growth and executive optimism. The combined revenue for the four firms for fiscal 2011 increased a solid 9% from $95 billion in fiscal 2010 in US dollar terms to historic high levels of $103 billion.

This revenue is the highest ever for the Big Four firms, and even exceeds the previous high of $101 billion seen at the height of the global boom in 2008. This performance is far beyond what would be normally anticipated and exceeded even our expectations for a 4% to 7% growth. Revenue grew even in local currency terms at a 7% rate from 2010 to 2011, with the depreciating US dollar in this period adding a 2% foreign exchange boost. The Advisory service line revenue grew at 17.4% continuing its growth from last year. Even Audit grew at 5.7%, and Tax grew at 7.1% and returned to solid growth after two years of contractions. Growth in the Americas was 9.9%, Europe increased 5.4%, while Asia zoomed up by 15.9% from 2010 to 2011.

(For our prior analysis of 2009 and 2010 Big Four Performance Analysis, please see http://www.big4.com/analysis)

After declining 7% in 2009 and up 1% in 2010, combined revenue increased a solid 9% in 2011, aided by a global recovery

In 2009, an appreciating US dollar created much steeper drops in US dollar terms (ranging from negative 5% to negative 11%) than in local currency terms (negative 3% to positive 1%). In 2010, the situation reversed, as the US dollar depreciated somewhat against foreign currencies, thus smaller improvements in local currency terms (negative 3.5% to positive 0.3%) translated into better upswings in US dollar terms (negative 0.9% to positive 2.6%). In 2011, further weakening of the US dollar aided growth in US dollar terms (7.6% to 10.1%) by a good 2%, as local currency growth came in lower (5.3% to 8.2%).

Even in 2010, these large accounting firms posted some big numbers with combined revenues at an eye-popping $95 billion, dropping from an all-time record level of over $101 billion in 2008. But 2011 turned out to be a blockbuster year with revenues of $103 billion, setting all-time records and easily surpassing the previous peak set in 2008.

These large accounting firms had a blockbuster year in 2011, their combined revenues reaching an all-time high of $103 billion

Revenue increases in US dollar percentage terms varied across firms, ranging from 7.6% for Ernst & Young, 8.4% for Deloitte, 10.0% for PricewaterhouseCoopers and 10.1% for KPMG. Thus, KPMG was the leader, as we had predicted, in annual growth, while the giant PricewaterhouseCoopers reported ultra-strong growth, enabling it to power past Deloitte. In local currency terms, revenue increases were slightly lower, from 5.3% for Ernst & Young, 6.2% for KPMG, 7.7% for Deloitte, and a very creditable 8.2% for PwC. This variation in growth led to two critical impacts. First, PwC regained its revenue leadership position among the Big Four, leaving Deloitte to enjoy only one year as the leader of the pack. PwC's strong local currency growth enabled it to move ahead of Deloitte by a solid $420 million. Second, KPMG's higher relative growth enabled it to narrow the gap with Ernst & Young to only $170 million, the difference rapidly shrinking from $1.3 billion in 2009 and $0.7 billion in 2010.

In Billions of US$	2007	2008	2009	2010	2011
Deloitte	23.1	27.4	26.1	26.6	28.8
E&Y	21.1	23.0	21.4	21.2	22.9
KPMG	19.8	22.7	20.1	20.7	22.7
PwC	25.1	28.2	26.2	26.6	29.2
Combined Firms	**89.1**	**101.3**	**93.8**	**95.1**	**103.6**

The growth differential across firms was driven by the intrinsic nature of the firm itself and varying compositions of service lines and geographies and a small effect due to fiscal years which spanned different calendar months. Deloitte's fiscal 2011 ended on May 31, 2011, E&Y and PwC's fiscal 2011 ended on June 30, 2011 and KPMG was the last to close out the fiscal year 2011 on September 30, 2011. In 2010, this small difference in fiscal year-ends resulted in relatively higher impact for KPMG, which enjoyed three to five additional months of better economic conditions. KPMG was the only firm to post positive growth from 2009 to 2010 for all its three regions. In 2011, this timing gap did not contribute that significantly to growth differential.

Fluctuations in the US dollar also contributed to the higher level of percentage drops. In 2011, as in 2010, the US dollar continued its depreciation against a basket of foreign currencies. This had a favorable effect, as appreciating local currencies, where the firms earned revenue, were converted into more US dollars, in which the firms reported their annual results. In general, increases expressed in US dollar terms were about 2% higher than increases expressed in local currency terms.

The Big Story Of 2011: PwC roared past Deloitte to regain its first place to become the largest accounting firm on the planet. The margin – now a solid $420 million

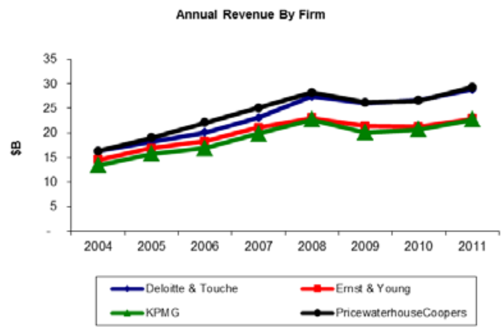
The big story of 2010 was that Deloitte with its 1.8% growth was able to beat PricewaterhouseCoopers with its 1.5% growth to gain the first place and become the largest accounting firm on the planet. In 2009, PwC was narrowly ahead of Deloitte, but Deloitte's 2010 revenues of $26.578 billion was ahead of PwC's 2010 revenues of $26.569 billion by an ultra-slim but very significant $9 million. In 2011, the situation of the previous year reversed. PwC posted 10.0% growth in US dollar terms and 8.2% in local currency terms. Both were ahead of Deloitte, which recorded 8.4% in US dollar terms and 7.7% in local currency terms. The result – PwC's 2011 revenues zoomed to $29.223 million, a good $423 million more than Deloitte's 2011 revenues of $28.800 million.

Interestingly PwC had only 0.5% more growth in local currency terms than Deloitte (8.2% for PwC versus 7.7% for Deloitte), however the foreign sources of where this growth was realized in terms of changes against the US dollar turned out to be favorable for PwC in 2011. US currency growth for PwC at 10.0% was 1.6% more than that for Deloitte at 8.4%. Thus, PwC did reestablish its leadership position as the largest accounting firm on the planet.

Ernst & Young took the third spot at $22.880 billion, and KPMG maintained its position as the smallest of the Big Four firms at $22.710 billion, just $170 million behind, as the gap narrowed against E&Y. Again, interestingly KPMG had only 0.9% more growth in local currency terms than E&Y (6.2% for KPMG versus 5.3% for E&Y), however the foreign sources of where this growth was realized in terms of changes against the US dollar turned out to be favorable for KPMG in 2011. US currency growth for KPMG at 10.1% was 2.5% more than that for E&Y at 7.6%.

Combined firm revenues grew 14% CAGR from 2004 to 2008 and 8% CAGR from 2004 to 2011

The Big Four firms have had an astonishing run up in total revenues over the last seven years. In 2004, combined firm revenues were only $60 billion, but by 2008, this had moved up at a compounded annual growth rate of 14% to exceed $100 billion; and then subsided to 2010. Some of this gain was from the collapse of Andersen, as Andersen's $10 billion or so of revenues in 2002 was generally redistributed over the remaining four firms. Beyond this, the global financial boom in the middle of the decade, combined with assertive penetration into emerging economies provided the engine for revenue increases. 2011 has seen the result of this penetration into clients and emerging economies, with record high results for all firms being realized.

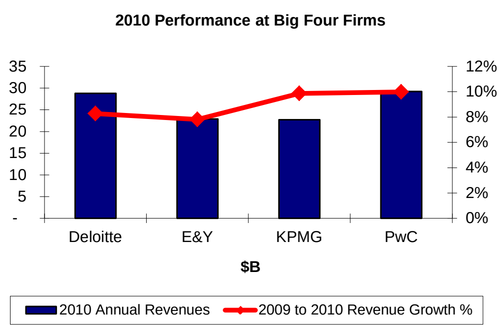


This positive trend rapidly reversed in 2009, the first time in six years, as economies all over the world came to an abrupt halt in mid-2008, with many countries going into recessions, and ultimately affecting the seemingly unstoppable growth in Big Four firm revenues. Even with this drop in 2009, the six year compounded annual growth rate from 2004 to 2010 was 8%, a remarkable achievement, given that these multi-billion dollar enterprises had to grow their size by nearly 60% from a high starting point by either finding new revenue opportunities or penetrating current clients. With the additional growth boost in 2011, the eight-year CAGR has returned back to 8% from 2004 to 2011.

One aspect to take note - despite being auditors for the world's public companies, who are themselves required to report extensive details on their financials, the Big Four firms provide only very high level financial information with minimum commentary, with consequent impact on the depth of possible analysis in our study.

2011 FIRM PERFORMANCE

Deloitte was the first firm to report this year on September 22, 2011, followed by PwC on October 3, 2011. Ernst & Young also reported on October 3, 2011 and KPMG was the last to report on December 12, 2011.



With Deloitte reporting excellent performance and some additional results from UK firms, it became evident that the year was shaping up to produce a terrific outcome, a big change from the moderate growth seen in 2010 and a large improvement from the drastic declines of 2009. Revenues rose across all geographies and service lines with very strong double-digit growth in emerging markets for all firms. Firms' results exceeded our more modest expectations of 4% to 7% growth, and KPMG's increase was the highest among all firms., which was in line with our prediction.

In general, the firms' results more than exceeded our expectations. KPMG had the highest growth rate, while Ernst & Young grew the slowest

There was some drama this year owing to the close race between Deloitte and PwC. After Deloitte reported on September 22, 2011, PwC's revenue threshold became quite clear, and as it reported on October 3, 2011, it became evident that PwC's revenues had exceeded Deloitte to regain the crown as the largest accounting firm.

A brief overview of 2011 results for each firm follows.

PricewaterhouseCoopers PwC

PricewaterhouseCoopers's FY 2011 global revenues for the year ending June 30, 2011 was US$29.223 billion, a 10.0% increase from the US$26.569 billion in FY 2010 in US dollar terms. However, on local currency terms FY 2011 revenues were actually higher than FY 2010 by only 8.2%. This highly commendable performance helped the firm regain its top ranking as the largest accounting firm on the planet. PwC maintained this top honor by beating Deloitte, who reported FY 2011 revenues of $28.8 billion, thus falling short of PwC by a good $420 million, after being ahead in 2011 by an extraordinarily slim margin of just $9 million.

PwC revenues rose 10% in 2010, enough to regain its leadership as the largest accounting firm on the planet

In terms of service lines, 2011 Assurance revenues was up 4.9% in local currency terms to $14.140 billion, but in terms of US dollars, revenues increased even higher at 6.5% from $13.273 billion in 2010. PwC noted excellent performance despite the fiercely global competitive market for audit and accounting services and downward pressure on prices which masked even stronger underlying growth. Audit revenue growth in 2011 was the highest in the past four years, since the service line grew 9.2% from 2006 to 2007. Tax services increased 5.7% in local currency terms to $7.625 billion, and 7.5% in US dollar terms from $7.090 billion in 2010. PwC noted steady performance across the network due to increased demand for tax and human resource consulting, indirect tax services and tax accounting and compliance work.

Advisory services for PwC was the top service line as revenues increased by 18.0% in local currency terms to $7.458 billion, and an astounding 20.2% in US dollar terms from $6.206 billion in 2010. PwC indicated outstanding performance from PwC's consulting businesses, due to recovery in M&A activity, and continued demand for consulting services as well as contributions from strategic acquisitions.

Additionally, PwC said rather confidently that it expects growth to remain healthy in

FY2012 as companies continue to position themselves for better times.

PwC expects healthy growth in FY2012 as client demand continues to be strong as companies reposition

In terms of geographies, Asia and Australasia 2011 combined revenues rose to $5.1 billion from $4.2 billion in 2010. This was a growth for Asia in local currency of 8.5% and 13.5% in US dollar terms; and correspondingly for Australasia a remarkable increase of 23.5% in local currency, and an increase of 38.4% in US dollar terms.

Americas turned in an excellent performance, with 2011 revenues at $10.836 billion, up 11.6% in local currency terms and 12.7% in US dollar terms from $9.730 billion in 2010.

Europe combined revenues in 2011 of $13.283 billion, rose a solid 4.7% in local currency terms and 5.5% in US dollar terms from $12.611 billion in 2010. Western Europe revenues increased 3.7% in local currency terms and 4.1% in US dollar terms from $11.062 billion in 2010 to $11.518 billion in 2011. Central and Eastern European revenue increased 6.6% in local currency terms and 7.3% in US dollar terms from $0.726 billion in 2010 to $0.778 billion in 2011. PwC noted Middle East and Africa revenues rose 20% and South and Central America grew 23%

Deloitte

Deloitte Touche Tohmatsu, the global firm, reported fiscal 2011 revenues for the year ending May 31, 2011 of US$28.8 billion, a 7.7% growth in local currency terms, but an increase of 8.4% in US dollar terms from 2010 of $26.6 billion.

Deloitte noted growth in all three regions, all functions and all industry sectors. Asia Pacific and Developing Americas were exceptional

By service line, Consulting (Advisory) was the fastest grower at 14.4% in local currency terms; and in US dollar terms, revenue increased 14.9% from $7.5 billion in 2010 to $8.6 billion in 2011. Financial advisory growth was aided by valuation, restructuring and forensic related services, higher M&A volume and upward trend in inbound and outbound investments in emerging markets.

Audit revenue increased 3.5% against 2010 in local currency terms; in US dollar terms, Audit grew by 4.7% from $11.7 billion to $12.3 billion. Tax also rose 4.9% against 2010 in local currency terms; in US dollar terms, Tax grew by 5.2% from $5.4 billion to $5.6 billion. Financial Advisory Services revenue increased 13.8% in local currency terms, but in US dollar terms, grew by an outstanding 15.1% from $2.0 billion in 2010 to $2.3 billion in 2011.

In terms of Industry, Financial Services recorded the highest revenue growth with 13.5%, Energy and Resources grew by 8.8%, Life Sciences grew by 8.1% and Manufacturing by 7.5%.

In terms of geography, Americas increased 9.3% in local currency terms and 10.4% in US dollar terms from $13.0 billion in 2010 to $14.4 billion in 2011. Europe, Middle East and Africa revenues increased 5.2% in local currency terms and 3.2% in US dollar terms from $10.0 billion in 2010 to $10.4 billion in 2011. Asia Pacific grew 8.5% in local currency terms and 15.8% in US dollar terms from $3.6 billion in 2010 to $4.2 billion in 2011.

Asia Pacific revenues grew 15.8%, following a 9% growth, making it the fastest-growing region for the seventh consecutive year. India and Australia grew more than 25%, Deloitte China grew 8.3%. Brazil and Chile grew in excess of 20%. Deloitte United States and Canada posted exceptional growth. Middle East, Sweden, Turkey and Norway, all experienced double-digit growth.

The Asia Pacific region grew a solid 15.8% in US dollar terms and was the fastest-growing region for the seventh consecutive year

And while this was a remarkable performance, it was unable to help maintain Deloitte's lead over PwC to continue to be the largest Big Four firm in the world. Its 2011 revenues of $28.8 billion were behind PwC's 2011 revenues of $29.2 billion by a good $420 million, after being ahead in 2010 by a miniscule but significant margin of $9 million or 0.03%. We had indicated in our 2009 analysis that if Deloitte's growth rate were to exceed PwC's growth rate only by a minimum of 0.3%, Deloitte's 2010 revenues in US dollar terms would make it the largest among the Big Four firms. While that did occur, PwC's sprint in 2011 put it back in solid leadership position.

A remarkable performance in 2010 had helped Deloitte to beat PwC and become the largest Big Four firm in the world.

And as it happened, PwC revenues grew by 1.5% and Deloitte revenues grew by 1.8% from 2009 to 2010, and that put Deloitte ahead by a very small but critical delta, which Deloitte celebrated by indicating that "Deloitte ascends to become the largest private professional services organization worldwide" while not naming PwC in its press release. In 2009, Deloitte revenues shrank less than PwC, thus narrowing, but not completely closing the gap against PwC. By showing remarkable performance in 2009, arguably one of the toughest environments in recent memory, Deloitte demonstrated that it was a strong contender for the leadership position.

Ernst & Young

Ernst & Young's combined worldwide 2011 revenues for the year ending 30 June 2011 were US$22.880 billion, increasing 5.3% in local currency terms from the comparable period in FY 2010 of US$21.255 billion in global revenues. In US dollar terms, the revenue jumped 7.6% from 2010 to 2011. Ernst & Young noted strong growth in all four geographic areas, revenue increases in all service lines, historically high headcount and new high-profile audit clients. E&Y said that growth was largely organic with acquisitions adding only 0.5% to annual growth rates.

After revenues decreased from 2009 to 2010, Ernst & Young had solid growth in all geographies and service lines

Assurance Services had FY 2011 revenues of $10.561 billion, which was up 2.3% in local currency terms, and 5.0% in US dollar terms from FY 2010 revenues of $10.061 billion. Global Tax Services with FY 2011 revenues of $6.011 billion was up 4.1% in local currency terms and also up 6.0% in US dollar terms from FY 2010 of $5.671 billion. Advisory Services with FY 2011 revenues of $4.304 billion was up an astounding 15.3% in local currency terms, and even stronger 17.5% increase from $3.662 billion in FY 2010 in US dollar terms. Transaction Advisory Services with FY 2011 revenues of $2.004 billion, had a 5.7% increase in local currency terms and revenues grew 7.7% in US dollar terms from $1.861 billion in 2010.

Ernst & Young's revenues grew the slowest among all Big Four firms from 2010 to 2011 in US dollar terms

In terms of geographies, Americas had FY 2011 revenues of $8.981 billion, which increased 6.1% in local currency terms, and 7.3% in US dollar terms from FY 2010 revenues of $8.373 billion. EMEIA with FY 2011 revenues of $10.075 billion was up 4.5% in local currency terms and also up 5.5% in US dollar terms from FY 2010 of

$9.551 billion. Asia-Pacific with FY 2011 revenues of $2.532 billion was up 10.0% in local currency terms, but increased 18.4% from $2.138 billion in FY 2010 in US dollar terms. Japan had FY 2011 revenues of $1.292 billion, which was down 2.0% in local currency terms but up 8.3% in US dollar terms from FY 2010 of $1.193 billion.

Ernst & Young noted that Brazil saw organic revenue growth of 26%, while India grew 22%, Africa was up 19%, Chinese revenues zoomed 18% and CIS grew 16% from 2010 to 2011.

Ernst & Young made a key change to their reporting of revenues in 2009, showing combined, not consolidated revenues

Ernst & Young made a key change to their reporting of revenues in 2009, electing to show combined, not consolidated revenues by eliminating intra-firm billings. E&Y restated its 2008 revenues down from $24.5 billion as originally reported to $23.0 billion reported as restated in 2009. The reason provided for this change was, “In line with our globalization efforts to harmonize policies across member firms, revenues for 2009 and 2008 related to member firm billings to other member firms have been eliminated from the financial information presented here. This financial information represents combined not consolidated revenues, and includes expenses billed to clients.”

KPMG

KPMG reported 2011 combined revenues for the fiscal year ending 30 September 2011 of US$22.710 billion versus US$20.630 billion for the prior 2010 fiscal year. This was a 6.2% increase in local currency terms and a 10.1% increase in US dollars terms. KPMG noted that FY11 revenues overall reflected strong performance across all geographies and functional businesses worldwide. KPMG’s year end is a full 3 to 5 months behind other firms, so while its FY 2010 results reflected more months of economic recovery to offset its FY 2009 results which included more months of economic distress, this advantage seemed to have faded in FY 2011.

KPMG’s revenue grew at 10.1% from 2010 to 2011, fastest among Big Four firms and closing the gap with Ernst and Young

By service line, Audit FY 2011 revenues were $10.48 billion versus $9.91 billion in FY 2010, up 1.8% in local currency and also up 5.8% in US dollar terms. KPMG noted that audit revenues rebounded despite strong competition in the marketplace and a difficult business environment. Tax services revenues in 2011 were $4.69 billion versus $4.15 billion in 2010, a strong 8.5% increase in local currency terms and even stronger 13.0% increase in US dollar terms.

Advisory services revenues of $7.54 billion in 2011 were up versus $6.57 billion in 2010, by a large 11.2% in local currency terms and 14.8% in US dollars terms.

KPMG’s fiscal year end is September, this was a distinct advantage in 2010, but not much of a help in 2011. Growth in Advisory was outstanding

By geography, Americas Region had 2011 revenue of US$7.05 billion versus US$6.37 billion in 2010, up 9.3% in local currency terms and up 10.7% in US dollar terms. Bright spots included Brazil with 22% revenue growth, In Europe, Middle East and Africa, combined KPMG member firm 2011 revenues were $11.66 billion versus $10.83 billion in 2010, up 4.1% in local currency terms and 7.7% higher in US dollars terms. India was the fastest growing among the largest KPMG member firms in the EMA region at 25%. In Asia Pacific, combined 2011 revenues of $4.00 billion increased 7.0% in local currency terms but grew a substantial 16.6% in US dollar terms against $3.43 billion in FY 2010.

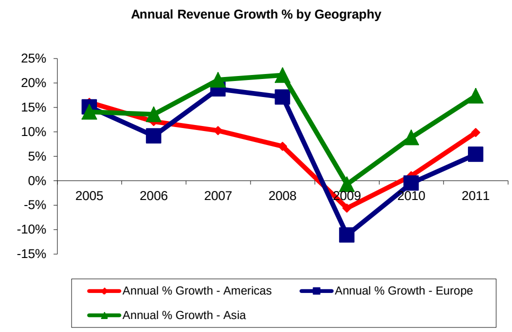
KPMG reported double-digit growth in Americas and Asia Pacific. Tax and Advisory also increased at double-digit rates

Revenues in China were up 12.9% in local currency terms and Management Consulting grew 24% in local currency terms and 29% in US dollar terms to become a $2 billion business in just six years. KPMG also announced that its member firms expect to hire 75,000 campus graduates over the next three years, a 25% increase over historical targets.

REVENUE BY GEOGRAPHY

The distribution of revenues by geography shows some very interesting insights. Contrary perhaps to common belief, Europe (including generally Europe, Middle East and Africa), rather than the Americas region (including Canada, the US and South America), has the highest percentage of total revenues for the Big Four firms, averaging 43% of total worldwide revenues. Americas average about 40% and the Asia Pacific countries (including India, South Asia, China, North Asia and Australia) have the remaining 17% of the revenue share.

Europe has the highest proportion of total revenues for the Big Four firms at 45%, Asia's share has climbed rapidly to 17%



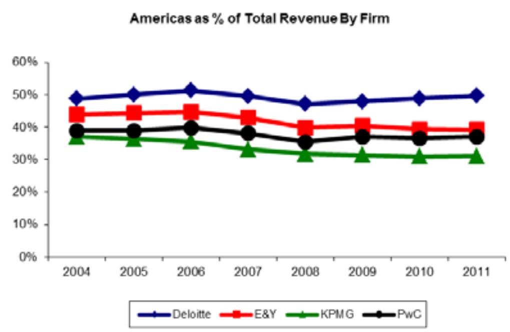
The Americas

The Americas represent about 40% of global revenues of the Big Four firms combined revenues, but its share has been falling over the years. From 2005 to 2011, there has been a noticeable drop of about 3% in the Americas region's share of the total revenue for all the firms. In 2005, 42% of combined firm revenues were reported from the Americas region, whereas in 2011, it had dropped to only 40% of total firm revenues. From 2010 to 2011 however, there was strong performance for the Americas region from all the firms, with the region growing overall at 9.9% – PwC grew the fastest at 11.4%, followed by KPMG at 10.7%, Deloitte at 10.0% and E&Y at 7.3%.

There also appears to be large variation across firms in the proportion of total global revenue from the Americas. For example, Deloitte at the high end, sources 50% of its revenues from the Americas driven by its Deloitte Consulting unit, and KPMG at the low end has only 31% of its revenues from the Americas. Ernst & Young has 39% and PwC has 37% of their total revenues from the Americas, in line with the total firm average.

While Latin America, and particularly South America and Mexico have provided good growth opportunities for growth in recent years, the predominance of the mature markets of USA and Canada with their slower growth has generally limited the expansion of Big Four firms in the Americas region. For example, KPMG noted that 2011 revenues in Brazil grew 22%, Deloitte reported that Brazil and Chile revenues grew in excess of 20%.. E&Y Brazil grew at 26%. South and Central America for PwC grew 23% while North America and Caribbean revenues grew 10%.

The 3% revenue share loss of the Americas has generally gone to Asia Pacific, where emerging markets such as China, India, Korea and Vietnam have grown at disproportionately higher rates.



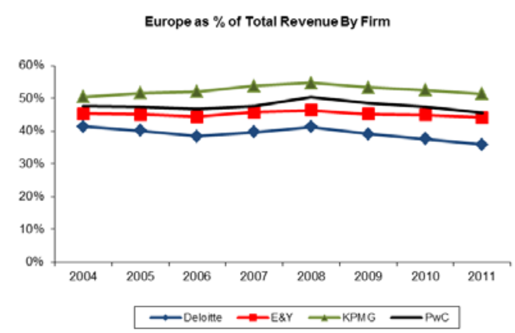
From 2005 to 2011, there has been a noticeable drop of about 3% in the Americas region's share of the total revenue for all the firms

Europe

Europe, surprisingly, is the largest region by revenue for all Big Four firms. The Big Four firms typically combine Europe, comprising the developed countries of Western Europe, the up and coming markets of Eastern Europe with Middle Eastern and African nations for a giant EMEA region. Europe represents about 44% of global revenues, and as we see across the years, this total percentage has remained remarkably flat from 2004 to 2010, though a drop from 48% in 2008 to 44% in 2011 is becoming very noticeable. In 2004, 46% of combined firm revenues were reported from the Europe region, and in 2011, there has been a slight drop to 44% of total firm revenues came from Europe. Overall, the region's revenues increased 5.4% from 2010 to 2011, with Deloitte up 3.0%, PwC Up 5.3%, E&Y up 5.5% and KPMG up 7.7%. Europe was roiled by volatility and uncertainty regarding Greece, Italy, Portugal and Spain in 2011 and thus recorded the slowest growth among all three region. Europe's loss of share is also due to rapid growth in Asian revenues.

Europe represents about 45% of global revenues, staying flat 2004 to 2010, though a dip from 2008 to 2011 is becoming very noticeable. Europe grew slowest in 2011

As in Americas, each firm has a different percentage of European revenues as a share of the total revenues. KPMG at the high end sources 52% of its revenues from Europe (KPMG Europe LLP being a key contributor) while Deloitte at the low end has only 36% of its revenues from Europe, this situation being a total opposite of the Americas. Ernst & Young and PwC each have 45% of their total revenues from Europe, in line with the total firm average.



This diverse European region comprises both of mature markets such as the United Kingdom, France, Italy and Germany, as well as fast growing Eastern European nations - Poland, Russia, Czech Republic, Hungary and Romania; Middle Eastern nations of UAE, Kuwait, Israel and Qatar; and African countries – South Africa, Egypt, Kenya and Nigeria being prominent.

The Big Four firms have had spectacular growth in Eastern Europe as these high growth economies have matured into capitalistic markets, requiring sophisticated audit, tax and transaction services. More recently, Middle East and Africa have been much stronger sub-regions, albeit from a smaller base. For example from 2010 to 2011, PwC reported that Middle East and Africa revenues grew 19.9% from 2010 to 2011.

Asia Pacific

Asia Pacific, while being the smallest region, has posted the highest growth rates of all regions. This diverse region comprises a few mature markets such as Japan and Australia, but mainly covers fast growth emerging markets such as China, India, Vietnam, Korea and Singapore. The Asia Pacific region has been in an economic boom for most of this decade, and their demand for Big Four firm professional services have multiplied. All the firms have grown at exceedingly high rates each year since 2004, with the result that combined revenues have more than doubled from $7 billion in 2004 to $17 billion in 2011. Overall, the region's revenues increased 17.4% from 2010 to 2011, with Ernst & Young up 16.6%, KPMG up 16.6%, Deloitte rising 16.7% and PwC posting spectacular results of a 20.7% rise in revenue from 2010 to 2011. Asia's differentially higher growth has led to a gain of share from America and Europe.

Asia represents about 17% of global revenues for all the firms, and across the years, this percentage has increased steadily from 2004 to 2011

Asia represents about 17% of global revenues for all the firms, and as we see across the years, this total percentage has increased steadily from 2004 to 2011. In 2004, less than 12% of combined firm revenues were reported from Asia, and in 2011, it had sharply increased to 16.5% of total firm revenues. This share gain came at the expense of the Americas region, and now more recently, Europe, which correspondingly lost its share of the pie. All firms reported strong growth from this region – Deloitte's Asia Pacific revenues grew 9%, making it the fastest-growing region for the sixth consecutive year.

Asian revenues zoomed 17.4% from 2010 to 2011 to reach record revenues of $17.1 billion

Deloitte China grew 8.3%, and Deloitte India and Deloitte Australia both grew excess of 25%. Ernst & Young Asia-Pacific Area revenues grew 10%, while Japan fell 0.3%. E&Y India and China grew 22% and 18% respectively. Asia Pacific was KPMG's strongest performing region, with India growing at 25%. For PwC, revenues rose 14% in Asia and 38% in Australasia.

BRIC

The BRIC countries – Brazil, Russia, India and China – have been unquestionably the shining stars in the growth story in recent years. Though the firms do not report individual country revenues, there is typically some commentary on the annual report on the spectacular increases in these countries.

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For example, Deloitte India grew in excess of 25% and Deloitte China revenues increased 8%. E&Y India and China recorded 22% and 18% growth respectively.

KPMG India was the fastest growing among the largest KPMG member firms in EMA at 25+%. KPMG noted that 2011 revenues in Brazil grew 22% and Deloitte reported that Brazil revenues grew in excess of 20%,

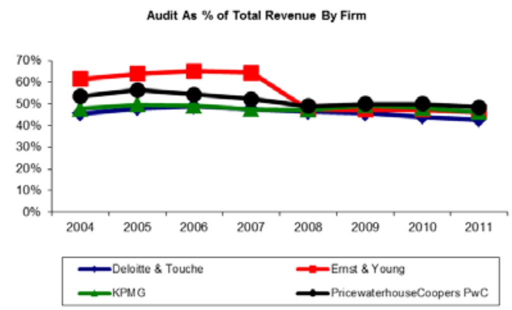
REVENUE BY SERVICE LINE

The Big Four firms offer a wide variety of professional and financial services, with newer Advisory services adding to their more traditional and deep-rooted Audit (Assurance) and Tax Services. Firms vary in their structure and definition of these broad service lines, typically though about half the revenues are sourced from Audit, and the balance is shared between Tax and Advisory Services.

Audit

The audit service line, the largest in all firms, accounts for almost 47% of total revenues but this proportion has been steadily dropping across the years. In 2004, Audit revenues were 52% of total revenues, but by 2010, this had dropped a full 5% to 47% of revenues. The drop in Audit and also in Tax revenue was offset by an increase in the Advisory business. Typically Audit is a steady business, as publicly traded clients renew auditor services each year with some increase in annual fees. Most companies prefer to maintain their auditors for a long time, providing stability to the auditors' top line. The Audit service line did experience sharp growth in total revenues in 2005 to 2007, but this has slowed down sharply in the 2008-2010 years. Audit rebounded from 2010 to 2011, but this was overshadowed by even faster growth in Advisory.

The audit service line, the largest in all firms, accounts for almost 46% of total revenues, but this proportion is steadily dropping across the years. Audit revenues rebounded in 2011



From 2008 to 2009, revenue for the Audit service line for the combined firms shrank by 6% in US dollar terms, and from 2009 to 2010, Audit revenues dropped a further 0.1%. But from 2010 to 2011, combined Audit revenues grew a strong 5.7% from $44.9 billion in 2010 to $47.5 billion in 2011. Audit revenues performance was somewhat better than the Tax service line which fell 7% from 2009 to 2010 and 1.1% for 2010 to 2011, demonstrating Audit's somewhat anti-recessionary nature. Audit fees came under pressure in 2009, but firms maintained their focus on client service and market share gains to mitigate any losses in revenue. And Audit revenues generally held flat from 2009 into 2010, though Deloitte and E&Y experienced declines which were somewhat offset by increases in KPMG and PwC. From 2010 to 2011, the Audit service line grew at all four firms, with PwC growing fastest at 6.5% and Deloitte growing slowest at 5.1%

Tax

The tax service line, forms about a quarter of the Big Four firm revenue and generally holding this percentage level across the years. Tax revenue are reasonably steady, as they derive revenue from add-on services provided to audit clients, in addition to tax services provided for transactions, complicated tax restructurings and other projects.

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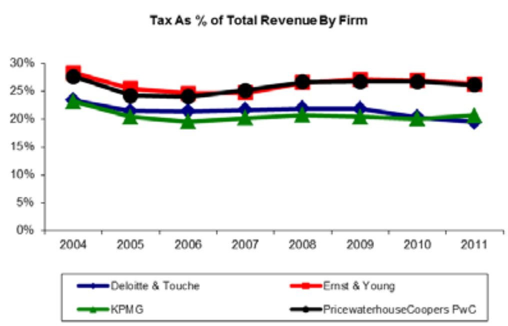


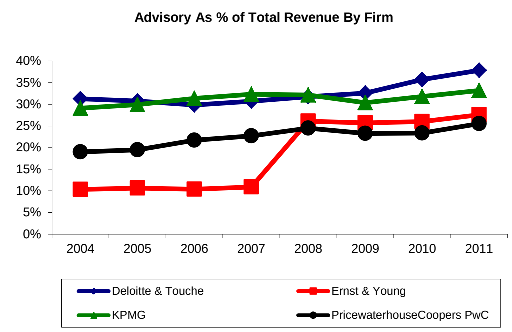
Tax had a very strong growth in 2006 to 2008, in line with large scale global merger and acquisition transactions activity, but posted a sharp decline in 2009 of 7%. Tax revenues further declined by 1.1% from 2009 to 2010, with Deloitte falling by more than 5% and E&Y also declining, offset somewhat by revenue increases in this service line at KPMG and PwC. 2011 was a different story altogether – combined Tax revenues of $22.3 billion in 2010 jumped a strong 7.1% to $23.9 billion in 2011. KPMG Tax grew a remarkable 13%, while Deloitte Tax grew the slowest at 3.7%.

Advisory

The Advisory service line, forms the last quarter of the Big Four firm revenue and includes the broader non-Audit and non-Tax services such as Transaction Advisory, Risk Management, and Business Consulting services; and demarcations generally vary across the firms. Owing to this catch-all nature of this category, there are many drivers of top line results, merger and acquisition activity and general business growth being principal factors.

Advisory services have increased their share of revenues. In 2004, they had 22% of total revenues and this had sharply increased to 31% in 2011

Advisory services have been one of the fastest growers in the Big Four firms as the firms extend their services beyond assurance and taxation through penetration into current clients or through referrals from other firms who may be conflicted out at their clients. Advisory services have generally increased their share of revenues. In 2004, they had 22% of total revenues and this had sharply increased to 31% in 2011, at the expense of declines in Audit and Tax.



Despite this sharp growth, Advisory services had the sharpest decline of 9% from 2008 to 2009, as clients slowed down transaction and restructuring activities all over the world. But Advisory had the sharpest bounce back among service lines, with revenues up 6% from 2009 to 2010, as equity markets roared back, M&A increased and client demand for consulting grew proportionately. Deloitte's Advisory revenues grew a remarkable 12%, KPMG was up 8% and E&Y and PwC also grew but at more modest rates.

Advisory zoomed 15.9% from 2010 to 2011. All firms recorded tremendous growth

In 2011, the growth story became even stronger. Combined Advisory revenues of $27.8 billion in 2010 jumped 15.9% to $32.2 billion in 2011, the first time ever to cross the $30 billion threshold. PwC Advisory grew the strongest at 20.2%, while Ernst & Young grew the slowest at a very respectable 14.2%.

FIRM EMPLOYMENT ANALYSIS

The Big Four firms cumulatively employ close to 650,000 staff all over the world, including partners, audit, tax and advisory professionals and administrative staff. This staggering number has been consistently on the rise from 2004, when cumulative employment was around 435,000 staff. In 2009, employment peaked at around 617,000. However, in 2010, as firms slowed hiring and outbound attrition reduced, total employment fell by nearly 7,000 to 610,000. In 2011, the situation reversed with hiring in line with revenue growth, boosting total employment by 37,000 net new hires to 647,000.

From 2004 to 2011, the number of people working at just these four firms has increased by around 210,000, an increase of 48% over just seven years. And while revenues did increase 9% from 2010 to 2011, net employment increased 6% over this period.

The Big Four firms cumulatively employ close to 650,000 staff all over the world

Typical annual attrition rate at Big Four firms was running about 15% prior to 2008. For example in 2008, the Big Four firms cumulatively would have made about 140,000 new hires to account for the loss of professionals and the additional revenue growth. This works out to about 550 hires for each business day of the year.

Even in 2009, assuming attrition rates had dropped to 10%, new hires in 2009 would be about 85,000 equating to about 350 hires each day. And in 2010, assuming that attrition rates held steady at 10%, new hires would be 55,000 or 200 per business day in one of the toughest job markets in recent history. In 2011, assuming that attrition rates again held steady at 10%, new hires would be 98,000 or 390 per business day in a difficult job market. Truly, Big Four firms are huge seekers of talent with correspondingly very busy recruiters even in a period of deep recession.

In 2011, we estimate there were only about 35,000 partners in all the Big Four firms, overseeing a steep pyramid of about 493,000 professionals

Elevation to partner at a Big Four firm is a tough and long process as every professional who has ever worked at a firm knows. Partners form an elite class within these large partnerships, and only one in about 20 people belongs to this exclusive club. In 2010, we estimate there were only about 34,000 partners in all the Big Four firms, overseeing a steep pyramid of about 460,000 professionals, thus the typical partner being responsible for about 14 professionals in 2010. In 2011, we estimate a small increase of about 1,000 new partners to a total of about 35,000 partners in all the Big Four firms, overseeing a steep pyramid of about 493,000 professionals, thus the typical partner being responsible for about 14 professionals in 2011

In 2004, the professional to partner ratio was only 11, thus partners are taking on more responsibilities in terms of professional management and development over the years.

Another metric that is closely watched is revenue per partner, in 2004, each partner was holding up \$2.1 million in revenue, and this had crept up to \$2.8 million by 2010 and further to \$3.0 million in 2011, matching the prior peak of \$3.0 million in 2008. In other words, each partner was expected to bring in and manage client revenues of nearly \$3 million in recent years to justify his or her position in the highest levels of the firms. Clearly, making partner is only the beginning of a series of demanding client development and professional responsibilities down the road.

ERNST & YOUNG RESTATES REVENUE

Ernst & Young changed their revenue reporting methodology in 2009, by reporting "…combined not consolidated revenues, and including expenses billed to clients in line with globalization efforts to harmonize policies across member firms". Under the prior consolidation method in 2008, Ernst & Young's global revenues were \$24.5 billion which were revised down to \$23.0 billion under the new combined method of reporting. Ernst & Young restated only 2008 under this methodology but did not restate prior years, thus our analysis is affected by this reporting constraint.

Under the prior consolidation method in 2008, Ernst & Young's global revenues were \$24.5 billion which were revised down to \$23.0 billion under the new combined method of reporting

CONCLUSION

The 2007 to 2009 recession has been the world's worst financial crisis for over 70 years, and despite such turbulence, the Big Four firms turned in quite a creditable performance, with revenues falling by single digits in local currency terms from 2008 to 2009. Since March 2009, global financial markets had a marked improvement in equity values, and general business conditions were in much better shape in December 2010.

2010 marked a return to moderate growth and positive global macroeconomic momentum, very favorable for all Big Four firms

More so, leading economic indicators in developed nations were on the uptrend in 2010 and both OECD and emerging market countries posted multiple quarters of positive GDP growth. 2011 saw the continuation of positive trends, as stability returned to the United States, Latin America countries continued their fast growth, Asian economies remained strong while Europe generally experienced high volatility and economic dullness. A reduced threat of US double-dip recession and deflation, an optimistic outlook among global executives, and rebounding M&A activity strongly favored Big Four firm revenue growth, as the firms participated in an increasing level of financial activities pursued by their clients, whether it be tax restructuring or compliance, transfer pricing, mergers and acquisitions, IPOs, strategic growth, risk management, IFRS conversions or audit compliance.

The second half of fiscal 2010 started to produce better growth. And this positive trend continued strong through all of FY 2011

Having likely captured the worst of 2009's impact in fiscal year 2009, fiscal year 2010, which ranges from mid-2009 to mid-2010, did produce small but highly welcome positive revenue growth. For 2011, we foresaw much better revenue growth for all the four firms, likely in the 4% to 7% range for a variety of key factors:

- Companies have improved their bottom lines, and are moving rapidly from a mentality of cost control to a more optimistic attitude of aggressively seeking top line growth. This translates into more need for consulting and tax services from the Big Four firms
- Global equity markets have been generally stable to positive in 2010, and 2011 points to further gains. More so, credit markets have loosened up and private equity firm activity is on the increase.
- Both Merger and Acquisition activity and Initial Public Offerings are on the rise in 2010 versus 2009, and expected to further increase in 2011.
- 2010 revenue base for Big Four firms is similar to 2009 levels, but external conditions are much better in 2011 than in 2010.
- The dollar has started sliding against major currencies in mid-2010.

For 2011, we expected much better revenue growth for all the four firms, likely in the 4% to 7% range. But results far exceeded our expectations

We expected KPMG to have the strongest fiscal 2010, since its fiscal 2009 ended in September 2009, and captured much of the crisis; and further that its 2010 revenues will be compared to a much lower base. This turned out to be right, and we forecasted a repeat performance from 2010 to 2011 due to its smaller overall size and its larger proportion of higher-growth Advisory services.

Actual 2011 performance was far beyond our expectations, Audit and Tax rebounded strongly from two years of negative to flat growth, Advisory continued its streak of strong revenue increases, growth returned to mature regions of Americas and Europe, and emerging countries and Asia marched on with outstanding results. KPMG did post the highest growth in US dollar terms among all the Big Four firms.

The Big Four firms dominate their space and are unlikely to face any emerging competitors for a long time, and while regulation and audit litigation do pose operating and financial risks, it is unlikely that any of these single items will be of sufficient magnitude to generally upset the status quo.

For 2012 and beyond, we foresee several years of solid revenue growth

2011 has been a solid turning point, building upon the foundation set in 2010, as the world's worst economic crisis only moderately impacted the firms. For 2012 and beyond, we will likely see a return back to revenue growth. The Big Four firms have participated extensively in the explosive growth in the emerging markets, and while it will be harder to grow at high levels from an already huge revenue baseline, now exceeding $20 billion for each firm, the firms have demonstrated tremendous global breadth and depth to benefit from any growth or even changes in their client base. Particularly, we see some solid factors to drive growth in the near to medium term:

- Advisory and Tax will directly benefit from improving global confidence and business growth. Audit will be helped with some easing of client pressures on rates and pricing. Tax will benefit from M&A, increasing global complexity and compliance requirements

- There is already higher penetration into emerging markets which have better growth profiles. More importantly, Asia has become a more significant and highest-growth region for all firms - both factors will help drive higher revenue growth.

- Advisory has become a larger component of revenues and continues its strong year-on-year revenue growth. Both factors will be propel total growth

- 2011 has shown that Big Four firms are rapidly making selective acquisitions to enhance their consulting expertise. These value-adding services will provide additional boosts to overall revenue

- Growth in developing markets such as Brazil, Chile, East and South Africa, Middle East will be strong and deep as increasing financial sophistication will create demand for Big Four audit, tax and advisory services

- Global macro factors such as low interest rates, improving equity markets, strong Japanese Yen, and a weakening Euro will provide impetus to cross-border M&A

- Adoption of IFRS standards all over the world will accelerate in 2012 and beyond, necessitating external assistance from Big Four auditors to effect implementation and compliance

- Continued absence of credible and scaled competition will perpetuate the domination of Big Four firms in the Audit and Tax markets, notwithstanding any efforts in European zone to diminish Big4's near monopolies

2012 will also be an interesting year to watch for any changes in Big Four rankings: whether PwC will be able to maintain its lead over Deloitte, and whether KPMG will be able to further narrow its gap with E&Y.

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Notes

All figures are in United States dollars

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